

# **The 2001 NGO Sustainability Index For Central and Eastern Europe and Eurasia**



## FOREWORD

**Gerald Hyman, Director  
Office of Democracy and Governance  
Bureau for Europe and Eurasia, USAID**

---

The Office of Democracy and Governance in USAID's Bureau for Europe and Eurasia is proud to present the 2001 NGO Sustainability Index. This report, the fifth in the series, provides a comparative overview of the current state of NGO sectors in the countries of Central and Eastern Europe and Eurasia. We hope it will serve as a useful management tool for international donors and local NGO support organizations interested in monitoring, measuring and evaluating progress in sectoral development.

The Index also provides a good starting point for further, more statistically rigorous investigations of the strength and sustainability of civil society. As examples, USAID Missions in Georgia and Central Asia have built upon the annual NGO Index in the design of more quantitative assessments of their respective civil society sectors. In Georgia, the Mission is planning to conduct an annual survey to measure the effectiveness of NGOs and to collect data to help answer questions such as the average cost to operate an NGO, the number of beneficiaries that Georgian NGOs serve, and the cost of services per beneficiary. In Central Asia, USAID has begun an annual "NGO Thermometer" to complement the Index's macro view of the sector and collect more specific data to help the Mission monitor and evaluate the impact of USAID programs.

The Index can also be useful for generating ideas, sharing experiences and lessons learned. In Estonia, grant-makers and associations use the NGO Sustainability Index broadly in preparing strategies and project proposals. The Network for Estonian Nonprofit Organizations (NENO), which prepares the Index write-up for Estonia under a grant from Freedom House, has also used the Index structure to organize focus groups designed to increase understanding of the sustainability of various programs. NENO has also used the Index process to guide brainstorming sessions and to generate new program ideas in areas such as AIDS services and legislation, and education. Beginning next year, NENO will conduct the NGO Sustainability Index separately in every county in Estonia, with support from the United States Embassy. The data collected will allow NENO to study NGO sustainability in Estonia in much greater detail.

We hope that you will find the 2001 Index both informative and useful. We welcome your comments and suggestions. Please contact Mark Levinson at (202) 712-5301, or by email at [mlevinson@usaid.gov](mailto:mlevinson@usaid.gov).

## **ACKNOWLEDGMENTS**

---

The USAID Bureau for Europe and Eurasia, Office of Democracy and Governance wishes to thank the following individuals and organizations, without whose time and generous contributions this document would not have been possible.

### **USAID Field Personnel:**

Suzana Cullufi and Eric Richardson USAID/Albania  
Maya Barkhudarian, Dianne Cullinane and James Vandenbos, USAID/Armenia  
Elchin Guliyev and Kelley Strickland, USAID/Azerbaijan  
Larissa Komarova, Dmitry Lihuto and Christine Sheckler, USAID/Belarus  
Marc Ellingstad and Selma Sijercic, USAID/Bosnia  
Diana Arnaudova, USAID/Bulgaria  
David Hoffman, USAID/Central Asia Republics  
Lisa Petter and Slavica Radosevic, USAID/Croatia  
Keti Bakradze and Cate Johnson, USAID/Georgia  
Argjentina Grazhdani, USAID/Kosovo  
Melita Cokrevska and Kathy Stermer, USAID/Macedonia  
Vasile Filatov, USAID/Moldova  
Dora Plavetic, USAID/Montenegro  
Ruxandra Dactu and Randall Tift, USAID/Romania  
Inna Loukovenko and Monica Stein-Olson, USAID/Russia  
Milan Bastovanovic and Kathryn Stevens, USAID/Serbia  
Marilynn Schmidt and Konstantin Yakubenko, USAID/Ukraine

### **Local NGO Coordinators:**

Jiri Barta and Tana Hlavata, Nadace Via, Czech Republic  
Riin Kranna and Kristina Mand, NENO, Estonia  
Balazs Sator, CSDF, Hungary  
Kaija Gertnere and Raymond Stephens, Center for NGOs, Latvia  
Ryan Campbell and Jolanta Taruskiene, USBF, Lithuania  
Justyna Dabrowska and Jakub Wyganski, KLON/JAWOR, Poland  
Katarina Kostalova, SAIA-SCTS, Slovakia

### **USAID/Washington Editorial Committee**

Mark Levinson, Co-Editor  
Jennifer Stuart, Co-Editor  
Bruce Kay  
M. Adnan Iqbal, Intern

We are particularly grateful for the assistance of Julia Gray and the staff of Freedom House/Budapest, who arranged and coordinated the NGO grants necessary to complete the Index in the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovakia.

Our thanks also to Jerry Hyman, Mary Ann Riegelman, Michael Michener, and Melinda Joyce who proof-read and made valuable comments on the chapters of this Index. Also, thanks to Peter Hobby, for his assistance in posting this document in the Internet.

Finally, we would like to express our deep gratitude to all of the local NGO experts, USAID partners and international donors who participated in the expert group discussions in each country. Their knowledge, perceptions, ideas, observations and contributions are the foundation upon which this Index is based.

## TABLE OF CONTENTS

---

<i>Introduction and Findings</i> .....	1
<i>The NGO Sustainability Index: What it is and how it is measured</i> .....	12
<i>Ratings: What they mean in general terms</i> .....	16
<i>2001 NGO Sector Score Sheet</i> .....	17
<i>1998 – 2001 Comparative Graph</i> .....	18
<i>Ratings: A Closer Look</i> .....	20
 <i>Country Overview Statements</i>	
Albania .....	27
Armenia .....	31
Azerbaijan .....	35
Belarus .....	40
Bosnia and Herzegovina .....	45
Bulgaria .....	50
Croatia .....	55
Czech Republic .....	60
Estonia .....	65
Georgia.....	71
Hungary .....	76
Kazakhstan.....	81
Kosovo .....	87
Kyrgyz Republic .....	91
Latvia.....	96
Lithuania.....	101
Macedonia.....	106
Moldova.....	111
Montenegro .....	116
Poland .....	121
Romania .....	127
Russia .....	133
Serbia .....	138
Slovakia.....	143
Tajikistan .....	148
Turkmenistan.....	153
Ukraine .....	158
Uzbekistan.....	163
 <i>Graphs and Charts</i> .....	167

## THE 2001 NGO SUSTAINABILITY INDEX INTRODUCTION AND FINDINGS

### INTRODUCTION

---

The *2001 NGO Sustainability Index for Central and Eastern Europe and Eurasia* continues USAID's study of the strength and overall viability of the NGO sectors in each country of the region. Now in its fifth year, the Index is a resource for USAID Missions, other international donors, and local NGO umbrella groups and support centers. It is both a management tool and a significant source of meaningful data. The Index provides a foundation for understanding the strength and capacity of NGO sectors in the region, as well as an understanding of the constraints that the sectors face. The Index is unique in that it is based largely on the perceptions and understandings of both local and international donor experts collected, in part, in field-based focus groups. While there are some recognizable limitations to the methodology and the largely subjective data collected in the Index, it is an important tool for understanding and measuring sustainability. The Index fills in the gaps in analysis that accumulated hard data, such as numbers of NGOs registered, lists of grants received, numbers of employees, and numbers of training sessions attended can not convey.

The Index is a tool for comparing overall progress toward sectoral sustainability. It highlights strengths and constraints in sectoral development and is useful in adjusting strategies and challenging assumptions in the field in ways that can generate new ideas. The Index is a unique resource that compares NGO sectors throughout the entire region, from the Baltics to Central Asia. It allows analysis and comparison across seven dimensions of sustainability, and over an extended period of time.

#### NGO Index Dimensions of Sustainability

---

- Legal Environment
- Organizational Capacity
- Financial Viability
- Advocacy
- Service Provision
- Infrastructure
- Public Image

The Index began in 1997, as a study of five dimensions of NGO sustainability in 17 countries. In 1999, with the assistance of USAID's Advisory Committee on Voluntary Foreign Assistance (ACVFA) and with input from USAID Missions and the support of indigenous NGOs and local Intermediary Support Organizations in the region, the methodology was improved to make the study more rigorous and more comprehensive. The 2001 NGO Sustainability Index reviews the relative strength of seven different dimensions of NGO sustainability, during the period of January through December 2001 in all countries in the region, and Kosovo.

## INTRODUCTION

### NEW THIS YEAR

---

New "target graphs" have been added to each country report in the Index this year. These target graphs provide a quick visual representation of sustainability and the relative strength of each dimension tracked in the Index, in a single visual aid. The level of sustainability of each dimension is represented by its distance from a "bulls-eye", or the center point of the target. The bulls-eye in each target represents the theoretical point of sectoral sustainability (an overall score of "1" on the Index).

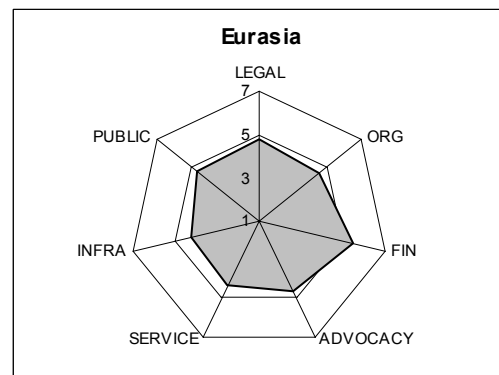
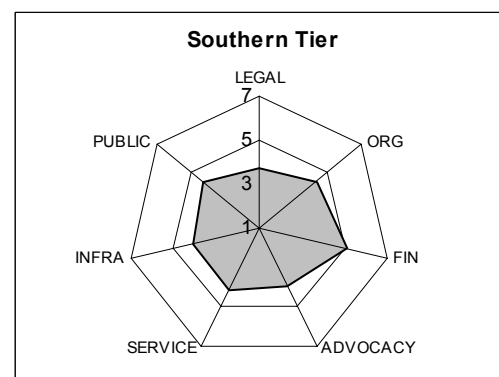
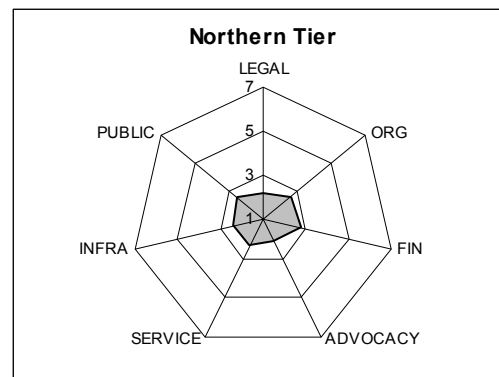
To read the graphs, consider the inner band around the bulls-eye to correspond to a score in the "Consolidation" phase of sectoral development. The middle band of the target corresponds to the "Mid-Transition" phase. The outer band corresponds to the "Early Transition" phase. By connecting the scores on each dimension and shading the area covered, we create a visual representation of the degree of constraint to sustainability faced by the NGO sector in each country. The smaller the shaded area, the greater the sustainability.

### FINDINGS AND TRENDS

---

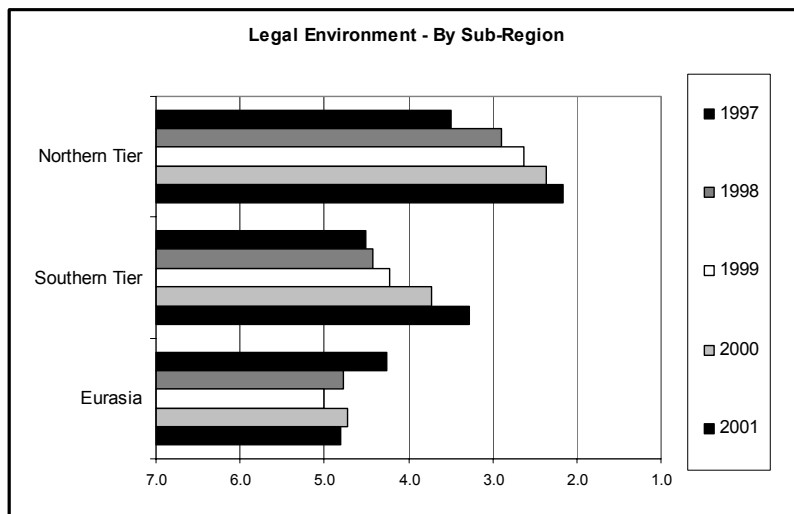
It is not surprising that many of the trends identified in previous editions of the *NGO Sustainability Index* remain. First and foremost, NGOs in the Northern Tier continue to have substantial advantages relative to their counterparts elsewhere in the region in each of the seven dimensions of sustainability. The regional target charts (at right) illustrate that there is still a substantial gap between the sustainability of the NGO sectors in the Northern Tier, and those of the Southern Tier and Eurasia.

In the Southern Tier and Eurasia, NGOs still remain almost entirely dependent upon support from international donors. In addition, the communities in which they operate are generally not well-informed about civil society or the role that NGOs play in policy debate, the resolution of community problems, and the delivery of social services. Nevertheless, there are some positive trends.



## Legal Environment

2001 saw a surge of progress in many countries in the region in terms of the development of legal frameworks that are generally supportive of NGOs. With the exception of Serbia, all countries in the Southern Tier now have a basic legal framework in place that is generally supportive of NGO development, provides for relatively easy registration, and allows NGOs to fundraise. Nevertheless, important financial issues such as tax deductions for charitable contributions and NGOs' ability to charge service fees have still not been addressed in many countries.



During 2001, new NGO legislation was either passed or became effective in Albania, Croatia, and Bulgaria. In addition, the National Assembly of the Republic of Srpska passed a new NGO law that seeks to harmonize NGO law in both Bosnian entities, and provide full reciprocity for organizations registered in either entity. Similar laws remain to

be passed in the BiH Federation and by the Federal parliament, but the outlook is positive. In Serbia, a government-NGO partnership has drafted new and more favorable legislation, but it still remains unclear whether this will be passed in the near future.

In Croatia, a new comprehensive legal framework was passed that streamlines the registration process and even allows for the operation of unregistered organizations. New tax legislation provides favorable treatment for charitable contributions and tax exemptions for NGO earned income. In Bulgaria, the new Non-Profit Legal Entities Act, which became effective on January 1, 2001, introduces one of the most modern international legal principles on NGO status, defining both public benefit organizations and mutual benefit organizations.

While the average legal environment scores in Eurasia remain essentially stagnant, underneath the score there were some improvements in NGO legal environments in Eurasia. Both Armenia and Kazakhstan passed new NGO laws during 2001. While the new laws in each country leave a number of problems unresolved and are perceived in each NGO community as a mixed blessing, these laws were drafted jointly by parliamentarians and NGO leaders through relatively inclusive and transparent processes and mark a positive and noteworthy development.

Small but important legal changes have also been made in Tajikistan. Changes in the law have eliminated a number of obstacles to registration, reducing fees and permitting registration in regional and district Departments of Justice, rather than requiring NGOs in

## INTRODUCTION

the regions to travel to the capital, Dushanbe, in order to register at the Ministry of Justice.

While a number of positive new laws and amendments have passed throughout the region, implementation of remains problematic in many countries, and there are still some governments in the region that continue to resist NGO legal reform and continue to pressure NGOs. In Belarus, for example, during the 2001 presidential election campaign, a number of NGOs had equipment confiscated, including equipment financed by international donors. NGOs that were politically active were plagued with endless inspections from a range of official bodies, from the tax police to fire fighters. Further, a March 2001 Presidential decree imposed strict controls on the receipt and use of foreign donations.

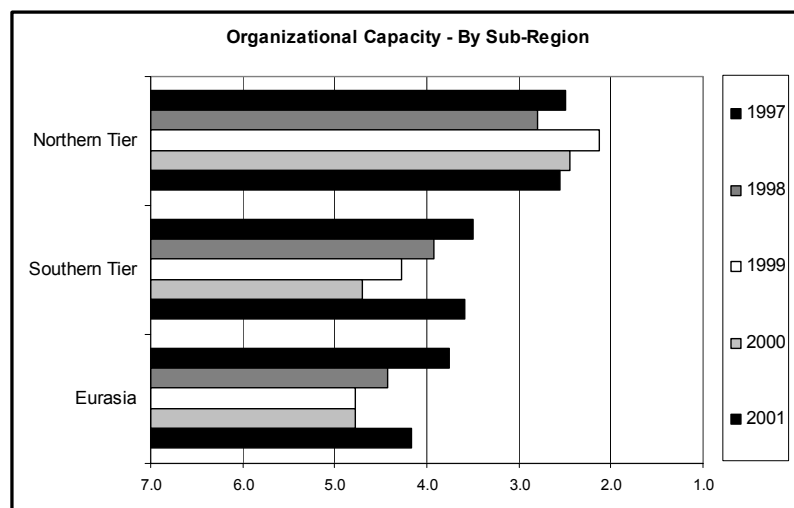
Access to professional legal services familiar with NGO law continues to be rare, even in the Northern Tier. There are few lawyers outside of the capital cities who can provide basic legal advice on registration, tax treatments and other civil society specific legal issues.

### Organizational Capacity

---

Throughout the Southern Tier and Eurasia, most NGOs still have a long way to go to build strong constituencies, plan strategically, and govern themselves effectively. While most NGOs now have defined mission statements, they are often created in response to the requirements of international donors rather than out of a genuine sense of mission, or they are constantly changing in response to changing donor priorities. Few NGOs in the Southern Tier and Eurasia are capable of strategic planning, and even fewer have well developed boards of directors that are capable of establishing policy and governing their organizations. In many countries, the typical NGO still remains dependent upon the personalities of one or two founding activists.

Financial accountability remains a critical issue for NGOs throughout the region. NGOs rarely make financial information and annual reports available to the public. Some NGOs, however, are beginning to understand the long-term strategic importance of operational and financial transparency as tools for building trust in local communities. This is an essential step if NGOs are to be successful in raising local contributions. An example of an initial step in the right direction is the Community Support Foundation – Bacau in northeast Romania, which provides



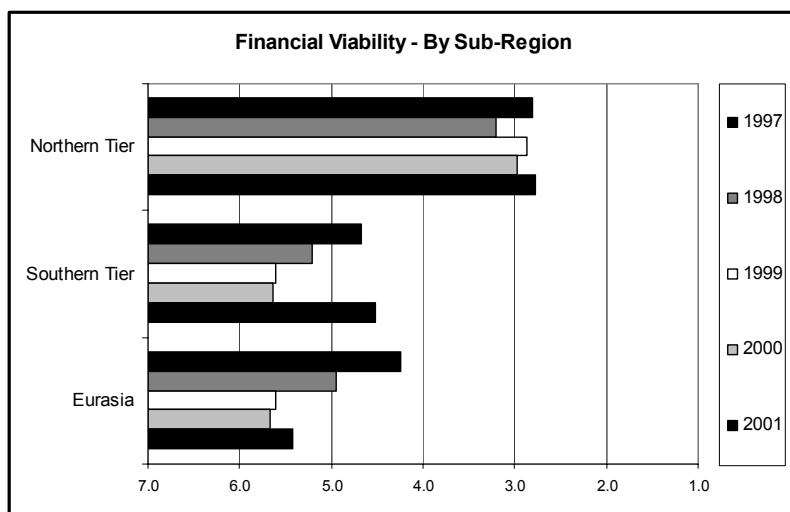
information about its community services to local sponsors and community leaders.

NGOs throughout the region are demonstrating greater capacity to tailor their programs to constituent needs, and are developing the capacity to engage and mobilize volunteers. Election-related activities such as election and media monitoring have been particularly successful in this regard. Strong NGO coalitions with large cadres of active members have emerged out of NGO election monitoring, civic education and voter mobilization campaigns in Slovakia, Croatia, Ukraine and Serbia. In Poland, there is an active network of 18 Volunteer Centers that organize volunteer data systems and formed the core of an inter-sectoral coalition to educate and mobilize the public during 2001, as part of the United Nations General Assembly declared International Year of Volunteers.

### Financial Viability

Financial viability remains the single most significant obstacle for NGOs in the region, and little progress outside of the Northern Tier has been made in diversification of funding, or in the development of local traditions of philanthropy.

NGO financial sustainability in the Southern Tier and Eurasia remains under serious threat. Precarious economies, slow growth, high unemployment, and a legacy of conflict constrain the development of indigenous financial support in many countries in the region. This is further complicated by limited financial transparency on the part of NGOs. Professional NGOs remain almost entirely dependent upon international donor grants, and as competition for the shrinking pool of donor money increases, NGOs find it increasingly difficult to cooperate out of fear of competition for limited grant resources.



Even in the Northern Tier, where some progress has been made in NGO self-financing and the development of local philanthropy and state support, financial viability remains a serious problem for most NGOs.

In Latvia for example, NGOs receive 80% of their funds from foreign donor sources, and

local government support and domestic philanthropy have not yet developed sufficiently to replace rapidly declining donor support. A number of Latvian NGOs have been successful in raising in-kind support in their communities, but this rarely exceeds 10% of an organization's needs. In other countries, such as Lithuania, legal restrictions limit the potential for NGOs to earn revenue by restricting commercial activities to only one type of registered organization.

## INTRODUCTION

On the other hand, in the Czech Republic the government provided \$81 million in financial support to sports, social service, health, culture, environmental and human rights NGOs in 2000. On average, 39% of NGO funding in the Czech Republic comes from government sources, including the proceeds from the privatization process that is distributed through the Foundation Investment Fund. In Hungary, almost 60% of all sector revenue is either self-generated by NGOs or earned through state subsidies of social services. During 2000, the 1% Program in Hungary, which allows citizens to donate 1% of their income taxes to a registered NGO, generated approximately \$15.3 million in contributions for 18,500 organizations. In Poland, statistics show that one-fifth of NGO revenues come from individual and corporate donations. During 2000, small and medium sized companies donated an average of 5% of their gross profits to charities.

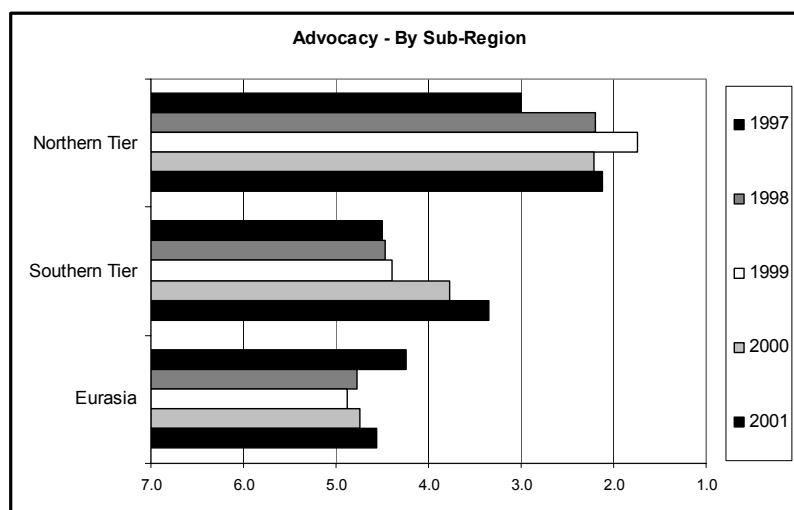
In Russia, although the economy has not yet fully recovered from the financial crash of 1998, businesses are beginning to experiment with local philanthropy. Programs like the Rosbank Student Stipend Program and the Togliatti and Tyumen community foundations have shown that business is becoming more receptive to contributing to NGOs.

Local governments throughout the region are beginning to understand that NGOs can help them meet local needs by supplementing limited resources with volunteers, in-kind and financial contributions from local businesses and international donor grants. In a few countries, national governments are starting to provide resources in the form of grants to NGOs. In Croatia, the government has created the Government Office for NGO Cooperation with to provide grants to NGOs and advocate on behalf of the sector to develop local sources of business support.

## Advocacy

Relations between NGOs and government continue to develop and improve throughout the region, particularly at the local government level. As a number of countries begin to grapple with the realities of decentralization, local governments are beginning to find valuable experience, expertise and new resources in NGOs. Most local governments, however, also suffer from limited financial resources, and therefore have little money with which to provide support to civil society and charitable organizations in their communities. National politicians and government institutions often do not understand how to respond appropriately to public interest advocacy.

In Macedonia, local NGOs and businesses have been working with the governments of six municipalities to implement a Local Environmental Action Plan-ning process. NGOs have also been working with the national government to implement the Aarhus Convention on



the rights of access to information and public participation in environmental matters.

In Croatia, as already mentioned above, the Government Office for NGO Cooperation coordinates government funding of NGOs, and works to improve communications between NGOs, the central government and Parliament. The Office also advocates on behalf of civil society with the private sector, to generate partnerships and charitable contributions. Similarly, in Bulgaria, an advisory Public Council was created in the Parliament to provide advice on civil society and public interest issues, and in Azerbaijan, the government formed the Department on Cultural Policy and International Integration in the Ministry of Culture to oversee NGO activities and explore opportunities for collaboration.

Though many advocacy campaigns continue to be initiated by international donors, local NGOs are increasingly identifying their own advocacy issues and messages, forming issue-based coalitions, and educating the public on key issues of reform. NGOs and NGO coalitions lobby their governments for amendments to NGO legislation, the passage of freedom of information legislation, advocating for selective service reform and amendments to election laws. They are educating their communities about key issues of corruption, patient's rights, penal reform, and domestic violence. In Serbia, OTPOR, the youth movement that was instrumental in stimulating the country's dramatic political change at the end of 2000, has undertaken a massive public awareness and education campaign against corruption, and has laid claim to a broader public policy role, functioning as a loyal political opposition. OTPOR has even established an agenda of 15 key legal reforms and challenged the parliament to pass them.

In Russia, environmental organizations were able to collect 2.5 million signatures to support a national referendum against the import of nuclear waste. Unfortunately, a referendum was not allowed and both the Duma and the President ignored public opinion when they passed three unpopular laws on nuclear issues. NGO leaders in Russia remain concerned that the federal government is trying to exert pressure on them by attempting to "coordinate" them through forums such as the Charitable Organizations Union, the Civil Chamber, and a Civil Forum for NGOs. The NGO community is divided in its perception of these forums. Some view government attempts to coordinate NGOs as a threat to NGO independence, while others suggest that efforts such as the Civic Forum are proof of long overdue government recognition of the sector.

In Kazakhstan, NGOs and independent television stations mounted a public campaign to oppose a set of proposed amendments to Kazakhstan's media law. Despite the ultimate passage of the amendments, the campaign did succeed in forcing a degree of transparency and openness on the Parliament's proceedings, and more than 20,000 citizens took an active part in the campaign.

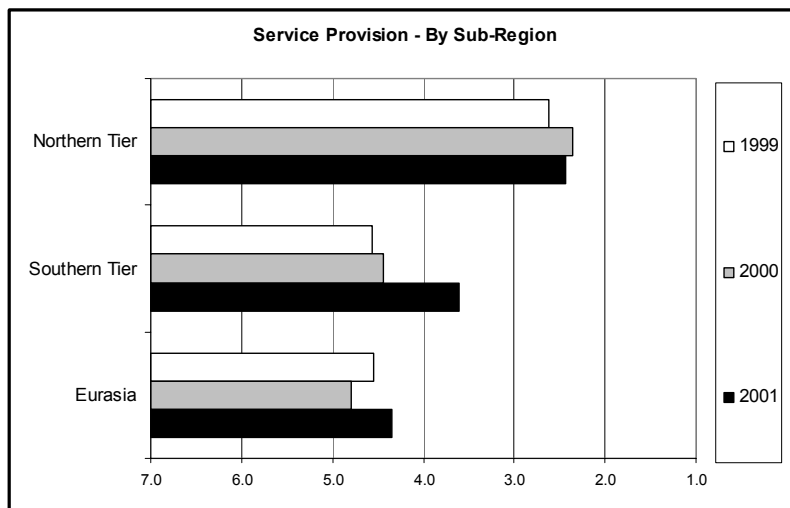
In Romania, a coalition of media groups, think tanks and human rights NGOs organized a successful lobbying campaign that resulted in the passage of a widely praised Law on Free Access to Public Information.

## INTRODUCTION

### Service Provision

---

As national governments in the region institute public administration reforms and begin to trim the services that they have traditionally provided, NGOs are moving to fill the gap with valuable services that increasingly reflect community needs. NGOs provide services in areas such as social welfare, health, education, job training, legal assistance, agricultural and small business development, humanitarian relief, and citizen education and empowerment.



Particularly at the local level, governments are experimenting with the idea of contracting with NGOs to provide services and advice. In Uzbekistan, for example, the Mayor of the Qarshi contracted a women's NGO to produce an assessment of gender issues in four key regions of the city.

however, remain dependent upon international donor grants, as many local service recipients and providers believe that social services should be offered for free. While NGOs often recognize the need to recover some proportion of their costs through fees, in most countries in the region citizens are either unwilling or unable to pay for the services that they receive, or the tax and legal structures preclude the collection of cost recovery fees. Often, conditions of international donors bar grantees from charging for services provided under their grants. Nevertheless, there are examples of citizens contributing to the cost of NGO social services. In Georgia, a medical services NGO in Gori collects a membership fee of 80 tetri per month (approximately 40 cents).

The vast majority of NGO service programs,

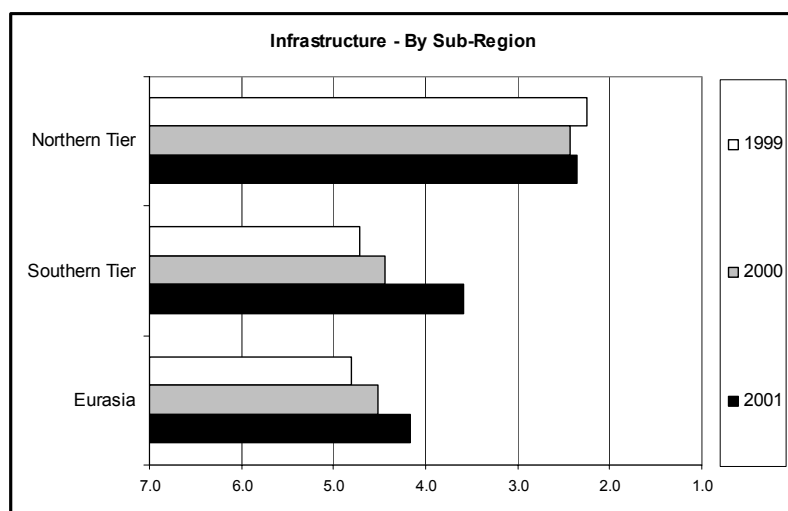
## Infrastructure

Throughout the region, NGO support centers are beginning to mature. Well-trained cadres of indigenous trainers are in place throughout the region, particularly in Northern Tier countries, but also in Azerbaijan, Bosnia, Russia, Tajikistan, Ukraine and others.

NGO Resource

Centers are well established in the Northern Tier and in the rest of the region.

Despite their financial dependence on international donors, they are making major contributions to the development of the NGO sector and reaching beyond the capital cities in Albania, Azerbaijan, Kyrgyzstan, Moldova, Turkmenistan, Ukraine and in a number of regions in the Russian Federation.



In Macedonia, four new NGO support centers are being established in towns outside of the capitol. The new NGO centers in Veles and Prilep opened in February 2001, and the centers being developed in Stip and Kichevo will open early in 2002. Six additional regional NGO centers are being planned by the European Center for Minority Issues in Skopje, Kumanovo, Tetovo, Stip, Bitola and Gostivar. In Croatia, three new regional support centers and three new training centers opened in 2001. A new resource center was also opened in Lebap, Turkmenistan during the past year, with official government permission.

In the Northern Tier, a wide variety of sector specific umbrella groups support sectoral development and coordinate advocacy activities. In the Czech Republic, SKOK serves health and social services NGOs, the Green Circle and the Spider's Web coordinate activities of environmental NGOs, the Center for Community Organizing represents community development NGOs, and the Czech Donors' Forum facilitates communication between foundations.

Northern Tier NGOs are continuing to form cross-border partnerships within the region. Polish NGOs, for example, have established on-going mentorships and partnerships with NGOs in Belarus, Ukraine, Lithuania, and throughout the former Yugoslavia.

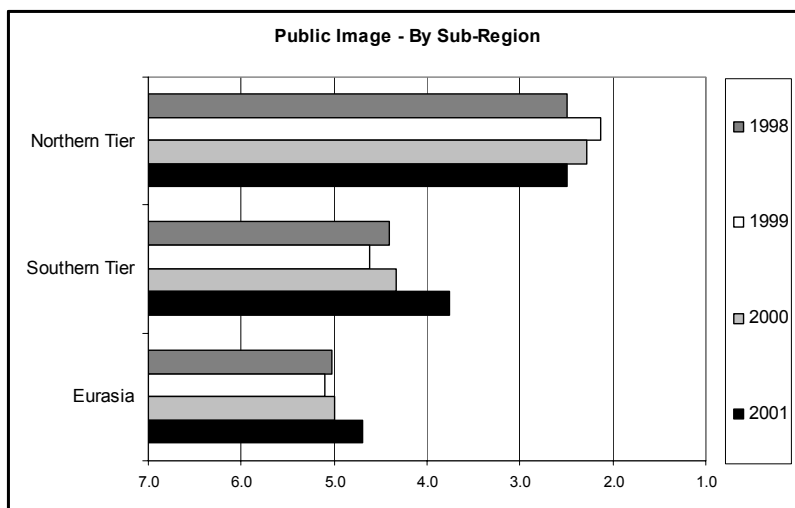
## INTRODUCTION

### Public Image

---

Throughout the region, large numbers of people continue to have little, if any, knowledge or understanding of NGOs, or of their potential role in bringing about positive change in their communities. In Montenegro, for example, a recent survey by the Center for Development of Nongovernmental Organizations showed that 28% of the public believe that NGOs are partisan and mercenary, and controlled by the state. Many people also believe that NGOs are little more than tools for gaining money and influence from the West. In Poland, a recent study indicated that 41% of the population believes that associations and foundations have little influence in solving important social problems. Only 29% responded that these organizations solve problems in their neighborhood.

In a number of countries, such as Tajikistan, Belarus, Azerbaijan, and Turkmenistan many government officials continue to see NGOs as "anti-governmental" or tools of foreign influence and therefore not representative of local needs and a potential threat. Positive developments have occurred, however, in Serbia, Bosnia, and Bulgaria. In



Serbia, there was dramatic change in public perceptions of NGOs following the elections at the end of 2000. NGOs now receive much more favorable treatment in local media, and NGO activists such as Biljana Kovacevic-Vuco, chairperson of the Yugoslav Lawyers' Committee for Human Rights, have become familiar sights on television

panels and are often featured in newspaper articles on public policy issues.

In Bulgaria, NGOs are being increasingly consulted by government institutions on a variety of issues, and the Bulgarian Media Coalition, an organization representing the strongest media organizations in the country, continues to work on improving collaboration between NGOs and media.

## CONCLUSIONS

---

Despite progress, significant challenges remain. The most important of these are financial viability and continued improvement in credibility, public image and links to constituents. Continued international donor support and capacity-building programs remain essential for the indigenous NGO sectors in the Southern Tier and in Eurasia, and to a lesser extent, the Northern Tier as well. But healthy and sustainable civil societies require more than money, training and technical assistance. Healthy civil societies require more than a community of sustainable professional NGOs and sectoral support institutions. International donors need to go beyond just supplying financial resources and providing training to develop NGO skill sets. Donor programs need to generate community vitality and train NGOs in civic engagement. The key is not just organizational development, but community development -- not just transforming political institutions, but transforming societies.

- Mark Levinson, Co-Editor

## INTRODUCTION

### **THE 2001 NGO SUSTAINABILITY INDEX For Central and Eastern Europe and Eurasia**

#### **What is it and how is it measured?**

Seven different dimensions of the NGO sector are analyzed in the Index: legal environment, organizational capacity, financial viability, advocacy, service provision, NGO infrastructure and public image. Individually, these dimensions can provide USAID Missions and partners, indigenous umbrella groups and intermediary support organizations, and other international donors with a reasonable measure of impact over time, and a basis for identifying both needs and opportunities in a strategic planning process.

**In the Index, each of these seven dimensions is examined, with a focus on the following questions:**

1. What has been accomplished?
2. What remains a problem?
3. Do local actors recognize the nature of outstanding challenges?
4. Do the local actors have a strategy and the capacity to address these challenges?

A brief explanation of the criteria used to evaluate each aspect of sustainability follows:

#### **Legal Environment**

---

For an NGO sector to be sustainable, the legal and regulatory environment should support the needs of NGOs. It should facilitate new entrants, help prevent governmental interference, and give NGOs the necessary legal basis to engage in appropriate fund-raising activities and legitimate income-producing ventures. The legal environment dimension of the Index analyzes the legal status of non-governmental organizations. Factors shaping the legal environment include the ease of registration; legal rights and conditions regulating NGOs; and the degree to which laws and regulations regarding taxation, procurement, access to information and other issues benefit or deter NGOs' effectiveness and viability. The extent to which government officials, NGO representatives, and private lawyers have the legal knowledge and experience to work within and improve the legal and regulatory environment for NGOs is also examined.

Questions asked include: Is there a favorable law on NGO registration? Does clear legal terminology preclude unwanted State control over NGOs? Are NGOs and their representatives allowed to operate freely within the law? Are they free from harassment by the central government, local governments, and tax police? Can they freely address matters of public debate and express criticism? Do NGOs receive any sort of tax exemption? Do individual or corporate donors receive tax deductions? Do NGOs have to pay taxes on grants? Are NGOs allowed legally to compete for government contracts/procurements at the local and central levels?

### **Organizational Capacity**

---

A sustainable NGO sector will contain a critical mass of NGOs that are transparently governed and publicly accountable, capably managed, and that exhibit essential organizational skills. The organizational capacity dimension of the Index addresses the operation of NGOs.

Questions evaluated include: Do NGOs actively seek to build constituencies for their initiatives? Do NGOs have a clearly defined Mission? Does the sector have a core of professionals who are experienced practitioners and trainers of NGO management? Does a core group of mature NGOs exist in a variety of sectors and geographic areas with well-developed missions, structures and capacity, including a recognized division between the Board of Directors and staff members?

### **Financial Viability**

---

A critical mass of NGOs must be financially viable, and the economy must be robust enough to support NGO self-financing efforts and generate philanthropic donations from local sources. For many NGOs, financial viability may be equally dependent upon the availability of and their ability to compete for international donor support funds.

Factors influencing the financial viability of NGOs include the state of the economy, the extent to which philanthropy and volunteerism are being nurtured in the local culture, as well as the extent to which government procurement and commercial revenue raising opportunities are being developed. The sophistication and prevalence of fundraising and strong financial management skills are also considered, although this overlaps with organizational capacity, described above.

Questions asked under this dimension include: Do NGOs raise a significant percentage of their funding from local sources? Are NGOs able to draw upon a core of volunteer and non-monetary support from their communities? Do NGOs have sound financial management systems? Do NGOs engage in membership outreach and constituency development programs? Do revenues from services, products, or rent from assets supplement the income of NGOs?

### **Advocacy**

---

The political and advocacy environment must support the formation of coalitions and networks, and offer NGOs the means to communicate their message through the media to the broader public, articulate their demands to government officials, and monitor government actions to ensure accountability. The advocacy dimension looks at NGOs' record in influencing public policy. The prevalence of advocacy in different sectors, at different levels of government, as well as with the private sector is analyzed. The extent to which coalitions of NGOs have been formed around issues is considered, as well as whether NGOs monitor party platforms and government performance. This dimension does not measure the level of NGOs' engagement with political parties.

Questions include: Are there direct lines of communication between NGOs and policy makers? Are NGOs able to influence public policy? Have NGOs formed issue-based coalitions and conducted broad-based advocacy campaigns? Are there mechanisms and

## **INTRODUCTION**

relationships for NGOs to participate in the political process?

### **Service Provision**

---

Sectoral sustainability will require a critical mass of NGOs that can efficiently provide services that consistently meet the needs, priorities and expectations of their constituents.

The index reviews questions such as: Do the goods and services that NGOs produce reflect the needs and priorities of local donors and the community, as well as foreign donor grants and the government? Do NGOs have knowledge of the market demand? Do they have knowledge of the ability of the consumers of their services to pay for their products and services? Does the government, at the national and/or local level, recognize the value that NGOs can add in the provision of basic social services? Do they provide grants or contracts to NGOs to enable them to provide such services?

### **Sectoral Infrastructure**

---

A strong sectoral infrastructure is necessary that can provide NGOs with broad access to Intermediary Support Organizations (ISOs) that provide local NGO support services. ISOs providing these services must be able to inform, train, and advise other NGOs; and provide access to NGO networks and coalitions that share information and pursue issues of common interest.

Questions include: Is there an indigenous infrastructure, including ISOs, that supports NGOs? Do local community foundations or ISOs provide grants from either locally raised funds or by re-granting international donor funds? Do ISOs have an available body of information and curricula on the not-for-profit sector? Do NGOs share information with each other? Is there a network in place that facilitates such information sharing? Is there an organization or committee through which the sector promotes its interests?

### **Public Image**

---

For the sector to be sustainable, government, the business sector, and communities should have a positive public image of NGOs, including a broad understanding and appreciation of the role that NGOs play in society. Public awareness and credibility directly affect NGOs' ability to recruit members and volunteers, and encourage indigenous donors. The Index looks at the extent and nature of the media's coverage of NGOs, the awareness and willingness of government officials to engage NGOs, as well as the general public's knowledge and perception of the sector as a whole.

Typical questions in this section include: Do NGOs enjoy positive media coverage? Does the media provide positive analysis of the role that NGOs play in civil society? Does the general public have a positive image of NGOs? What about the business sector and government? Have NGOs adopted a code of ethics or tried to demonstrate transparency in their operations?

### Ratings: What they mean in general terms

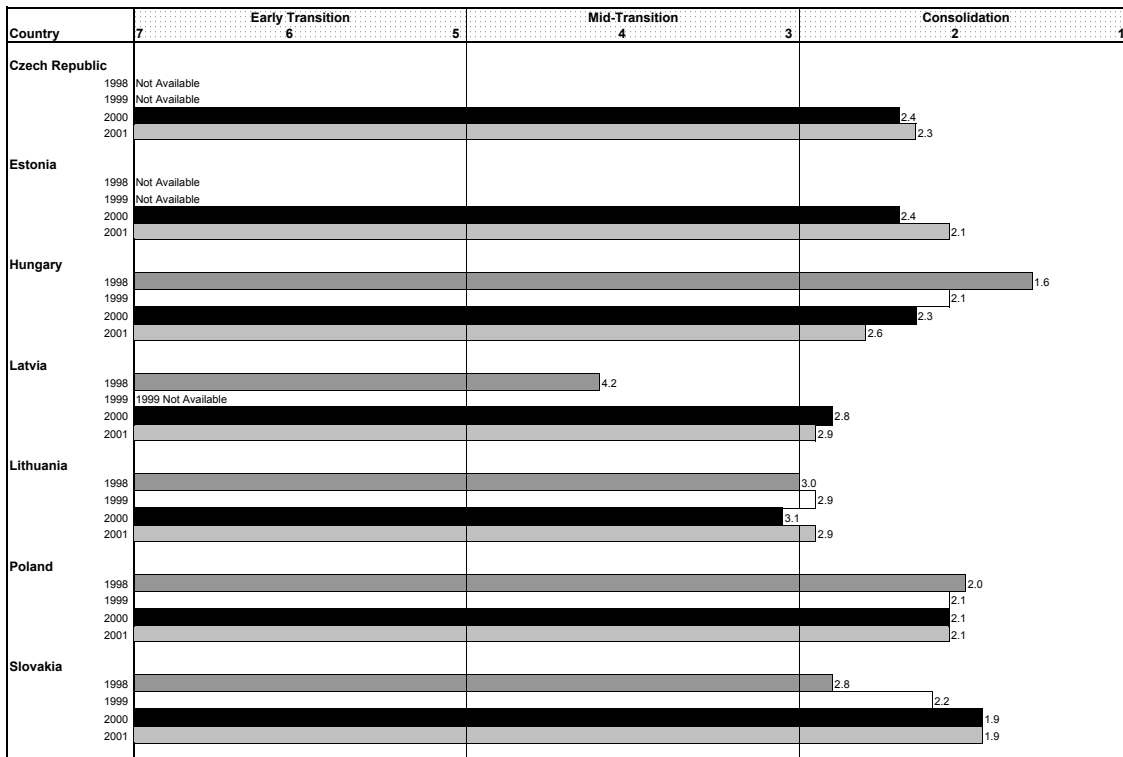
The NGO Sustainability Index uses a seven-point scale, to facilitate comparisons to the Freedom House indices, with 7 indicating a low or poor level of development and 1 indicating a very advanced NGO sector. The following section elaborates on the characteristics of each level of development:

- 7 Erosion or no change since the Soviet era. A war, with its human and material costs, depleted economy, highly divided society or totalitarian regime and the like, has set the development of the sector back.
- 6 Little progress since Soviet era, one problem or constraint has replaced another. Facilitating the development of local capacity is severely limited by a hostile authoritarian regime; state-controlled media; brain drain; and/or a small or highly fractured community of activists with very little capacity or experience in organizing and initiating activities, running organizations, and/or little interest in doing so.
- 5 Programmatic success in developing the local capacity or facilitating progress in the aspect in question is hampered by a contracting economy; an authoritarian leader; highly centralized governance structure; a controlled or reactionary media; or a low level of capacity, will, or interest on the part of the NGO community. The absorptive capacity of the NGO sector is limited -- perhaps limited geographically to the capital city, or sectorally to two or three areas of activity or policy issues.
- 4 Progress in the aspect in question is hampered by the factors cited above, but to a lesser degree: perhaps by a stagnant rather than a contracting economy, a passive rather than hostile government, a disinterested rather than controlled or reactionary media, or a community of good-willed but inexperienced activists. While NGOs in the capital city or in three or four sectors are progressing, others lag far behind.
- 3 Foreign assistance is able to accelerate or facilitate reform because the environment is generally enabling and/or local progress and commitment to developing the aspect in question is strong. An enabling environment includes a government open to reform (legal), a growing economy (financial), some decentralization of governing structures (advocacy), or an independent media (image). NGOs in regional centers and in four or five sectors are beginning to mature.
- 2 The environment is enabling and the local NGO community demonstrates a commitment to pursuing needed reforms and to developing its professionalism. Foreign assistance continues to accelerate or facilitate these developments. Model NGOs can be found in most larger cities, in most regions of a country, and in a variety of sectors and issues.
- 1 While the needed reforms and/or the NGO sector's development is not complete, the local NGO community recognizes which reforms or developments are still needed, and has a plan and the ability to pursue them itself. Model NGOs can be found in cities and towns, in all regions of a country, in numerous different sectors.

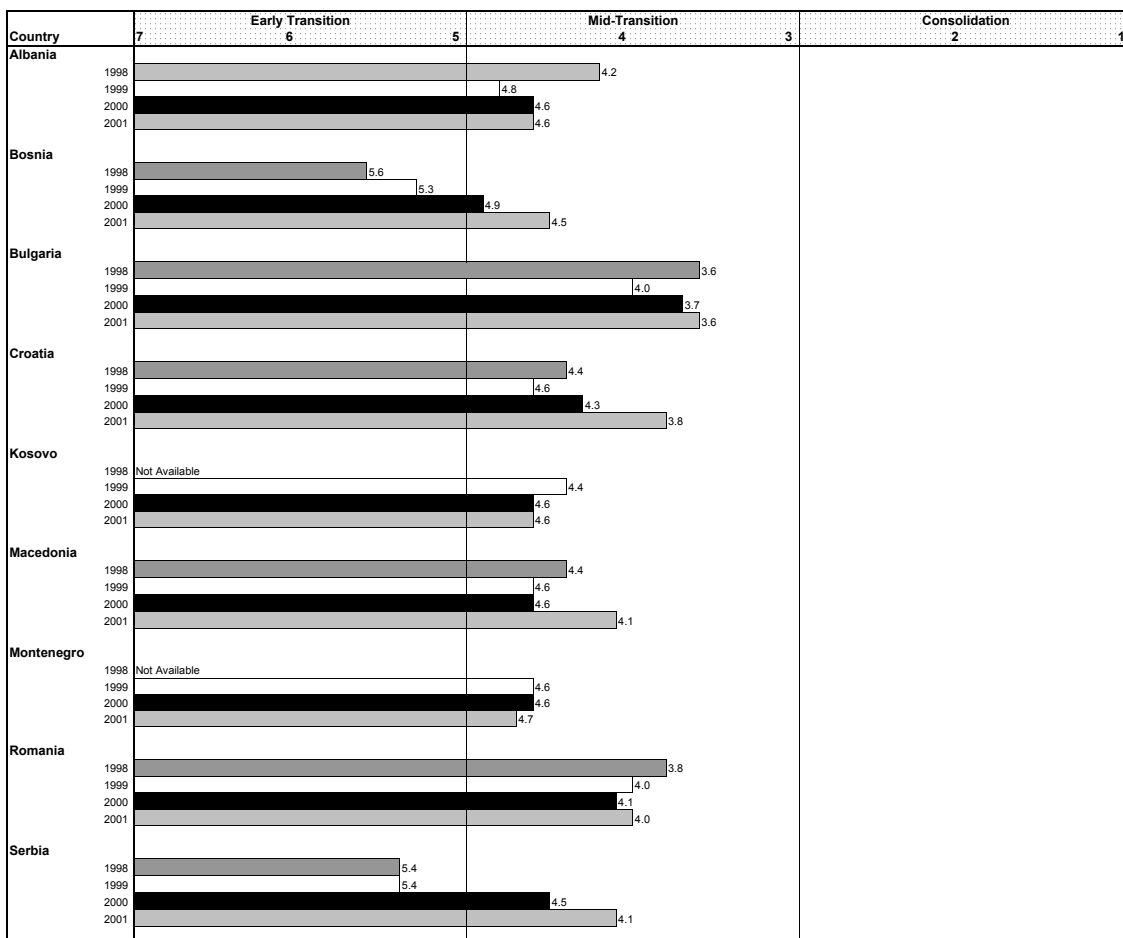
COUNTRY	LEGAL ENVIRON	ORG CAPACITY	FIN VIABILITY	ADVOCACY	SERVICE PROVISION	INFRA STRUCTURE	PUBLIC IMAGE	OVERALL SCORE
<b>NORTHERN TIER:</b>								
CZECH REPUBLIC	2.0	3.0	2.0	1.8	2.0	3.0	2.5	2.3
ESTONIA	2.0	2.3	2.6	1.8	2.3	2.0	2.0	2.1
HUNGARY	1.7	2.8	2.8	3.5	2.3	2.5	2.8	2.6
LATVIA	3.0	3.3	3.5	2.2	2.4	3.0	2.7	2.9
LITHUANIA	2.0	3.0	3.0	2.0	4.0	2.5	4.0	2.9
POLAND	2.0	2.0	2.5	2.0	2.0	2.0	2.0	2.1
SLOVAKIA	2.5	1.5	3.0	1.5	2.0	1.5	1.5	1.9
<i>Regional Average</i>	2.2	2.6	2.8	2.1	2.4	2.4	2.5	2.4
<b>SOUTHERN TIER:</b>								
ALBANIA	4.0	5.0	5.0	3.0	5.0	5.0	5.0	4.6
BOSNIA	4.0	4.0	5.7	4.2	4.2	4.8	4.5	4.5
BULGARIA	3.5	4.5	4.5	3.0	3.0	3.0	4.0	3.6
CROATIA	3.0	4.0	5.0	3.0	4.0	4.0	3.8	3.8
KOSOVO	4.0	5.0	6.0	5.0	4.0	4.0	4.5	4.6
MACEDONIA	3.0	4.0	4.0	4.0	5.0	4.5	4.5	4.1
MONTENEGRO	3.7	5.0	5.5	4.5	4.5	5.0	5.0	4.7
ROMANIA	3.0	4.5	4.5	4.5	3.5	4.0	4.0	4.0
SERBIA	5.0	4.0	6.0	3.5	3.8	3.0	3.5	4.1
<i>Regional Average</i>	3.7	4.4	5.1	3.9	4.1	4.1	4.3	4.2
<b>EURASIA:</b>								
ARMENIA	4.0	4.0	6.0	4.0	4.0	4.5	4.0	4.4
AZERBAIJAN	5.0	5.0	6.0	5.0	5.0	4.0	5.0	5.0
BELARUS	7.0	4.8	6.0	5.5	5.0	4.5	5.5	5.5
GEORGIA	4.0	4.0	5.0	4.0	4.0	3.0	4.0	4.0
KAZAKHSTAN	4.5	4.2	5.0	4.3	4.0	4.1	4.1	4.3
KYRGYZ REPUBLIC	5.2	4.0	5.5	3.0	4.3	3.8	4.5	4.3
MOLDOVA	3.0	4.5	5.3	4.2	4.5	3.8	4.3	4.2
RUSSIA	4.2	4.0	4.7	4.3	4.3	3.4	4.5	4.2
TAJIKISTAN	4.8	5.0	6.0	5.0	5.0	4.8	5.0	5.1
TURKMENISTAN	6.5	5.5	5.5	6.3	5.0	5.5	6.0	5.8
UKRAINE	5.0	4.0	5.0	4.0	3.0	4.0	5.0	4.3
UZBEKISTAN	4.4	4.8	5.1	5.1	4.0	4.6	4.5	4.6
<i>Regional Average</i>	4.8	4.5	5.4	4.6	4.3	4.2	4.7	4.6

# NGO Sustainability Index: 1998 - 2001

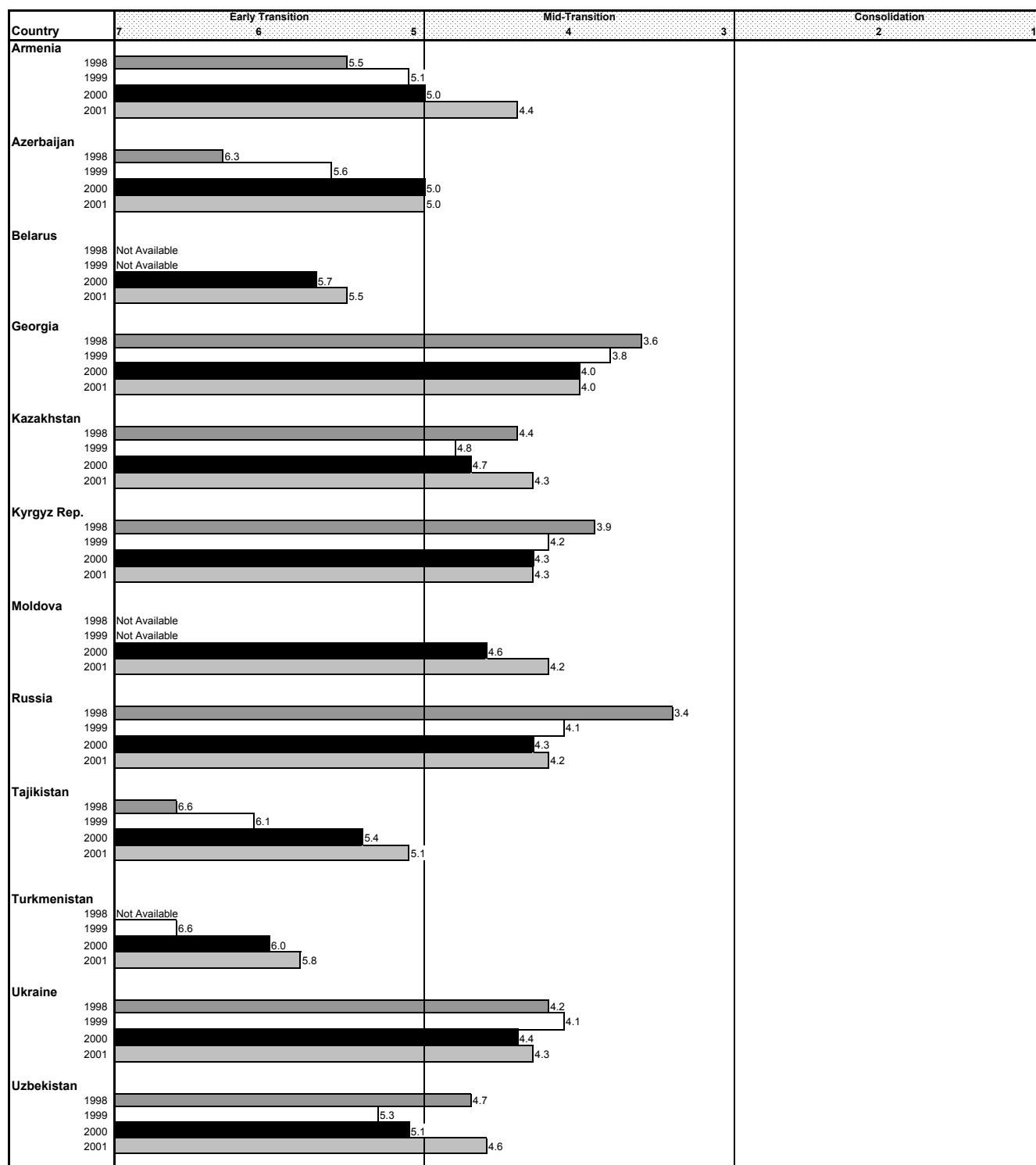
## NORTHERN TIER



## SOUTHERN TIER



# EURASIA



## Ratings: A Closer Look

The following sections go into greater depth about the characteristics in each of the seven dimensions of the sector's development. These characteristics and stages are drawn from empirical observations of the sector's development in the region, rather than a causal theory of development.

Given the decentralized nature of NGO sectors, many contradictory developments may be taking place simultaneously. Therefore we do not attempt to break out the characteristics of the seven dimensions into seven distinct steps of development. Instead, these characteristics are clustered into three basic stages: Early Transition, Mid-Transition and Consolidation. The Early Transition stage corresponds to a score of 5 to 7 points on the scale, the Mid-Transition stage corresponds to a score between 3 and 5 points, and the most advanced stage, Consolidation, corresponds to a score between 1 and 3 points.

## Legal Environment

### **Early Transition (5-7):**

The absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation) on non-governmental organizations (NGOs) make it difficult to register and/or operate (i.e., regulation to the point of harassment). Assistance programs address status laws pertaining to registration, internal management/governance, scope of permissible activities, reporting, dissolution, and other topics; as well as the degree of bureaucratic and administrative impediments to NGO formation and operation; degree of state regulation, harassment of or violence toward NGOs.

### **Mid-Transition (3-5):**

NGOs have little trouble registering and do not suffer from state harassment. They are permitted to engage in a broad range of activities, although taxation provisions, procurement procedures, etc. may inhibit NGOs' operation and development. Programs seek to reform or clarify existing NGO legislation, to allow NGOs to engage in revenue-raising and commercial activities, to allow national or local governments to privatize the provision of selected government services, to address basic tax and fiscal issues for CSOs, etc. The local NGO community understands the need to coalesce and advocate for legal reforms benefiting the NGO sector as a whole. A core of local lawyers begins to specialize in NGO law by providing legal services to local NGOs, advising the NGO community on needed legal reforms, crafting draft legislation, etc.

## INTRODUCTION

### **Consolidation (1-3):**

The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives not-for-profit organizations special advantages such as: significant tax deductions for business or individual contributions, significant tax exemptions on CSOs, open competition among NGOs to provide government-funded service, etc. Legal reform efforts at this point are primarily a local NGO advocacy effort to reform or fine tune taxation laws, procurement processes, etc. Local and comparative expertise, as well as availability of legal services and materials, on the NGO legal framework exists.

Note: The International Center for Not-for-Profit Law (ICNL) contributed to defining these stages of development. ICNL's web site ([www.icnl.org](http://www.icnl.org)) provides comparative analyses of NGO laws.

## **Organizational Capacity**

### **Early Transition (5-7):**

NGOs are "one-man shows," completely dependent upon the personality of one or two major figures. They often split apart due to personality clashes. NGOs lack a clearly defined sense of mission. At this stage, NGOs reflect little or no understanding of strategic planning or program formulation. They lack organizational skills and procedures for budgeting and tracking expenditures; and they lack the ability to monitor, report on, and evaluate programs. Organizations rarely have a board of directors, by-laws, staff, or more than a handful of active members. Programs provide basic organizational training to NGO activists.

### **Mid-Transition (3-5):**

Individual NGOs, or a number of NGOs in individual sectors (women, environment, social services, etc.), demonstrate enhanced capacity to govern themselves and organize their work. Individual NGOs in at least the major sectors -- environment, business, social sector, human rights/democracy -- maintain full-time staff members and boast an orderly division of labor between board members and staff. Local NGO support centers are founded to inform, train, and advise other NGOs. Activities include newsletters, libraries, consultations or other services. NGO activists may demand that training be at a more advanced level. Programs train local trainers and develop local language materials and locally sponsored courses to teach organizational skills. Local trainers learn how to facilitate: strategic planning exercises and program development, financial management structures, appropriate communication channels both within and outside an organization, and team building.

### **Consolidation (1-3):**

A few transparently governed and capably managed NGOs exist across a variety of sectors. Essential organizational skills are demonstrated, and include how to recruit, train, and manage a volunteer network. A professional cadre of local experts, consultants and trainers in non-profit management exists. An accessible network for identifying trainers and consultants exists. NGOs recognize the value of training. The lack of financial resources may remain a constraint for NGOs wanting to access locally

provided NGO management training. Topics of available training cover: legal and tax issues for NGOs, accounting and bookkeeping, communication skills, volunteer management, media and public relations skills, sponsorship and fundraising.

### Financial Viability

#### **Early Transition (5-7):**

New NGOs survive from grant to grant and/or depend financially on one (foreign) sponsor. NGOs at this stage lack basic fundraising skills, such as how to write a proposal. Programs seek to teach fundraising skills in order to diversify funding sources. Even with a diversified funding base, donors remain overwhelmingly inter-national. A depressed local economy may contribute to this dependency.

#### **Mid-Transition (3-5):**

NGOs pioneer different approaches to financial independence and viability. Some might survive and continue to grow modestly, by reducing foreign funding and sticking to a minimal, volunteer-based operation. Individual NGOs experiment with raising revenues through providing services, winning contracts and grants from municipalities and ministries to provide services, or attempting to attract dues-paying members or domestic donors. NGOs begin to pool resources by sharing overhead costs, such as hiring one accountant for several NGOs. Efforts are made to simplify and/or establish uniform grant application procedures undertaken by donors or governmental agencies. A depressed local economy may hamper efforts to raise funds from local sources. Training programs accelerate financial viability by offering strategic planning, revenue raising and advanced fundraising skills through indigenous trainers and NGO support centers. NGOs begin to understand the importance of transparency and accountability from a fundraising perspective. NGO centers may provide "incubator" services to decrease administrative costs for fledgling NGOs.

#### **Consolidation (1-3):**

A critical mass of NGOs adopt rules on conflict of interest, prohibitions on self-dealing and private procurement, appropriate distribution of assets upon dissolution, etc., to win potential donors' confidence. In a conscious effort, the local NGO sector may lay the groundwork for financial viability by cultivating future sources of revenue for the sector. This might include lobbying for government procurement reform for NGO-delivered services, tax reform to encourage revenue-generating activities, providing exposure through NGO trainers and NGO support center to successful domestic precedents, cultivating a domestic tradition of corporate philanthropy, or cultivating international donors. There is also a growing economy, which makes growth in domestic giving possible.

## INTRODUCTION

### Advocacy

#### **Early Transition (5-7):**

Broad umbrella movements, composed of activists concerned with a variety of sectors, and united in their opposition to the old regime fall apart or disappear. Some countries at this stage have not even experienced any initial burst of activism. Economic concerns become predominant for most citizens. There may be an increase in passivity, cynicism, or fear within the general public. NGO activists are afraid to engage in dialogue with the government, feel inadequate to offer their views and/or do not believe the government will listen to their recommendations. NGOs do not understand the role that they can play in "public policy" or do not understand concept of "public policy". Programmatic activities begin to introduce the importance of collecting empirical data and first-hand information in order to share facts rather than opinions with officials or concerned citizens.

#### **Mid-Transition (3-5):**

Narrowly defined advocacy organizations emerge and become politically active in response to specific issues, including issues that emerge during the transition: human rights, abortion, opportunities for the disabled, environment, etc. Organizations at Mid-Transition development may often present their concerns to inappropriate levels of government (local instead of national and vice versa). Weakness of the legislative branch might be revealed or incorrectly assumed, as activists choose to meet with executive branch officials instead ("where the power truly lies."). Beginnings of alternative policy analysis are found at universities and think tanks. The beginnings of information sharing and networking between NGOs, and the existence of an NGO support center to inform and advocate its needs within the government may develop. Programmatic initiatives include training in advocacy techniques, coalition building, communication techniques, and policy analysis.

#### **Consolidation (1-3):**

The NGO sector demonstrates the ability and capacity to respond to changing needs, issues and interests of the community and country. As NGOs secure their institutional and political base, they begin to 1) form coalitions to pursue issues of common interest, such as children's rights or handicapped care; 2) monitor and lobby political parties; 3) monitor and lobby legislatures and executive bodies. NGOs demonstrate the ability to mobilize citizens and other organizations to respond to changing needs, issues, and interests. NGOs at this stage of development will review their strategies, and possess an ability to adapt and respond to challenges by sector. A prime motivator for cooperation is self-interest: NGOs may form alliances around shared issues confronting them as non-profit, non-governmental organizations.

## Service Provision

### **Early Transition (5-7):**

A limited number of NGOs are capable of providing basic social services--such as health, education, relief, housing, water or energy. Those who do provide such services receive few if any government subsidies or contracts. NGOs that produce publications, technical services or research do so only for their own members. Attempts to charge fees for goods and services are limited, and often fail. The volume of services to the poor is limited since there is little local private sector financial support and no cross-subsidization from services to better off constituencies.

### **Mid-Transition (3-5):**

The contribution of NGOs to covering the gap in social services is recognized by government, which may on occasion subsidize or contract for these "public goods." NGOs recognize the need to charge fees for services and other products—such as publications and workshops—but even where legally allowed, such fees seldom recover their costs. The constituency for NGO expertise, reports and documents expands beyond their own members and the poor to include other NGOs, academia, churches, and government.

### **Consolidation (1-3):**

Many NGOs provide goods and services, which reflect community and/or local donor priorities. Many NGOs produce products beyond basic social services to such sectors as economic development, environmental protection or democratic governance. NGOs in several sectors have developed a sufficiently strong knowledge of the market demand for their services, the ability of government to contract for the delivery of such services or other sources of funding including private donations, grants and fees, where allowed by law. A number of NGOs find it possible to cross-subsidize those goods and services for which full cost recovery is not viable with income earned from more lucrative goods and services, or with funds raised from other sources.

## Infrastructure

### **Early Transition (5-7):**

There are few, if any, active NGO Intermediary Support Organizations (ISOs), networks and umbrella organizations. Those that do operate, work primarily in the capital city and provide limited services such as access to computer equipment, faxes, email and meeting space. Local training and NGO development capacity is extremely limited and undeveloped. Primarily programs of international donors provide training and technical assistance. There is no coordinated effort to develop philanthropic traditions, improve fundraising or establish community foundations. NGO efforts to work together are limited

## INTRODUCTION

by a perception of competition for foreign donor support and mistrust of other organizations.

### **Mid-Transition (3-5):**

ISOs are active in most major population centers, and provide services such as distributing grants, publishing newsletters, maintaining a membership database, running a library of NGO literature, and providing basic training and consulting services. Other umbrella organizations are formed to facilitate networking and coordinate activities of groups of NGOs. Local trainers have the capacity to provide basic organizational training. Donors' fora are formed to coordinate the financial support of international donors, and to develop local corporate philanthropic activities.

### **Consolidation (1-3):**

ISOs are active in all areas of the country and provide advanced training, legal support and advice, and philanthropic development activities. Efforts are underway to found and endow community foundations, indigenous grant-making institutions, and organizations to coordinate local fundraising. Local trainers are capable of providing high level training to NGOs throughout the country.

## Public Image

### **Early Transition (5-7):**

The general public and/or government are uninformed or suspicious of NGOs as institutions. Most of the population does not understand the concept of "non-governmental" or "not-for-profit", including government officials, business leaders and journalists. Media coverage may be hostile, due to suspicion of a free but uninformed media, or due to the hostility of an authoritarian government. Charges of treason may be issued against NGOs. Due to a hostile atmosphere caused by an authoritarian government, if individuals or businesses donate to NGOs at all, they do so anonymously.

### **Mid-Transition (3-5):**

The media generally does not tend to cover NGOs because it considers them weak and ineffective. Individual NGOs realize the need to educate the public, to become more transparent, and to seek out opportunities for media coverage. Individual local governments demonstrate strong working relationships with their local NGOs, as evidenced by their participation in advisory committees, consultations, public-private initiatives, and the funding of an occasional grant.

### **Consolidation (1-3):**

This stage is characterized by growing public knowledge of and trust in NGOs, and increased rates of voluntarism. NGOs coalesce to mount a campaign to win public trust. Widespread examples of good working relationships between NGOs and national and local governments exist, and can result in public-private initiatives or NGO advisory committees for city councils and ministries. Increased accountability, transparency, and self-regulation exist within the NGO sector to win public trust, including existence of a generally accepted code of ethics or a code of conduct.